

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name FLORENCE TOWNSHIP	County ST. JOSEPH
Audit Date 3/31/04	Opinion Date 8/19/04	Date Accountant Report Submitted to State: 8/31/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) FOOTE AND LLOYD, C.P.A.s			
Street Address TWO WEST MICHIGAN, SUITE 210		City BATTLE CREEK	State MI
		ZIP 49017-3621	
Accountant Signature <i>Charles W. Foote</i>		Date 8/31/04	

**FLORENCE TOWNSHIP
ST. JOSEPH COUNTY, MICHIGAN**

**REPORT OF AUDIT
FOR THE FISCAL YEAR ENDED
MARCH 31, 2004**

**FOOTE and LLOYD
CERTIFIED PUBLIC ACCOUNTANTS
BATTLE CREEK, MICHIGAN**

**FLORENCE TOWNSHIP
ST. JOSEPH COUNTY, MICHIGAN**

OFFICIARY

Tom Young	Supervisor
Connie Steffel	Clerk
Janis Jones	Treasurer
Ben Russell	Trustee
Dennis Bontrager	Trustee

Population 1,436 (2000)

Fiscal Year Ended March 31, 2004

FLORENCE TOWNSHIP

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GLEN C. SAUER

MEMBERS:
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Florence Township
St. Joseph County, Michigan

We have audited the general purpose financial statements of Florence Township, St. Joseph County, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and including those prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florence Township, St. Joseph County, Michigan as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and the individual account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Florence Township, St. Joseph County, Michigan. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
August 19, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

**FLORENCE TOWNSHIP
COMBINED BALANCE SHEET
ALL FUND TYPES & ACCOUNT GROUPS
MARCH 31, 2004**

	Governmental <u>Fund Type</u> General	Fiduciary <u>Fund Type</u> Tax Fund	<u>Account Groups</u> General Fixed Assets	Totals (Memo Only)
<u>ASSETS</u>				
Cash	345,031	72,833		417,864
Receivables - Delinquent Taxes	3,029			3,029
Due from Tax Fund	5,754			5,754
Land			3,500	3,500
Buildings			10,000	10,000
Equipment			78,636	78,636
TOTAL ASSETS	<u>353,814</u>	<u>72,833</u>	<u>92,136</u>	<u>518,783</u>
<u>LIABILITIES & FUND EQUITY</u>				
Liabilities				
Accounts Payable	4,534	1,282		5,816
Due to General Fund		5,754		5,754
Taxes Owed to Other Government Units		65,797		65,797
Total Liabilities	<u>4,534</u>	<u>72,833</u>	<u>0</u>	<u>77,367</u>
Fund Equity				
Investment in Fixed Assets			92,136	92,136
Fund Balance - Undesignated	267,877			267,877
- Designated	<u>81,403</u>			<u>81,403</u>
Total Fund Equity	<u>349,280</u>	<u>0</u>	<u>92,136</u>	<u>441,416</u>
TOTAL LIABILITIES & FUND EQUITY	<u>353,814</u>	<u>72,833</u>	<u>92,136</u>	<u>518,783</u>

The Notes to Financial Statements are an integral part of these statements.

**FLORENCE TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCE - BUDGET & ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	36,500	36,593	93
Intergovernmental - State	115,000	101,386	(13,614)
Interest	1,200	3,908	2,708
Charges for Services	3,700	6,480	2,780
Other	<u>17,100</u>	<u>1,157</u>	<u>(15,943)</u>
Total Revenues	173,500	149,524	(23,976)
EXPENDITURES			
General Government	125,451	85,596	39,855
Public Safety	40,000	25,115	14,885
Public Works	<u>31,000</u>	<u>25,569</u>	<u>5,431</u>
Total Expenditures	<u>196,451</u>	<u>136,280</u>	<u>60,171</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(22,951)	13,244	36,195
FUND BALANCE - Beginning of Year	<u>336,036</u>	<u>336,036</u>	<u>0</u>
FUND BALANCE - End of Year	<u>313,085</u>	<u>349,280</u>	<u>36,195</u>

The Notes to Financial Statements are an integral part of these statements.

FLORENCE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Township Operations

The Township was organized in 1826 and covers an area of 33 square miles. The Township operates under an elected board of five members and provides services to its more than 1,400 residents in many areas including fire protection and road maintenance. The General Purpose Financial Statements contain all the funds and account groups that are controlled by or dependent on the Township's executive or legislative branches. There are no component units included in the reporting entity.

Basis of Presentation

The financial activities of the Township are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund - This fund is used to account for all financial transactions not accounted for in another fund. Revenues are derived primarily from property taxes and State and Federal distributions, grants and other inter-governmental revenues. The General Fund accounts for the general operating expenditures of the Township not recorded elsewhere.

Fiduciary Funds

These funds are used to account for tax collections held in trust or as an agent for others.

The financial statements of fiduciary funds are maintained on the cash basis. Reporting these funds of the cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis, as required by generally accepted accounting principles.

Account Groups

General Fixed Assets Account Group - This account group presents the fixed assets of the Township. It does not include the Township's share of Fire and Ambulance equipment owned jointly with other governmental units.

Basis of Accounting

The financial activity of the Agency Fund is limited to collection of amounts which are subsequently remitted to third parties and accordingly are limited to cash transactions. All government funds utilize the modified accrual basis of accounting. Modifications in such methods from the accrual basis are as follows:

- (a) Property taxes and other revenues that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

FLORENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Properties are assessed as of December 31. Summer school taxes are levied July 1 and payable by September 15. All other taxes are levied December 1 and payable by February 14. At settlement date in late March, they are added to the county tax rolls

- (b) Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- (c) Normally expenditures are not divided between years by the recording of prepaid expenses.
- (d) Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements.

- (e) Short-term Interfund Receivables/Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables payables."
- (f) Fixed Assets - General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight line method.

FLORENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- (g) Fund Equity - Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE 2 - PROPERTY TAXES RECEIVABLE

The delinquent real property taxes of the Township are purchased by St. Joseph County. The County intends to sell tax notices, the proceeds of which will be used to pay the Township for these property taxes. It is anticipated that this will take place in June, 2004. These taxes have been recorded as revenue for the current year. The taxable value for the Township is \$28,747,843. There were .9533 mills levied for operations. No additional mills were levied.

Some of the collected taxes were not distributed until after March 31, 2004. The settlement was delayed because of problems with new software at both the County and Township levels.

NOTE 3 - BUDGETS

PA 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Township for these budgetary funds were adopted to the line item level and were amended as necessary by the Township Board.

During the year ended March 31, 2004, the Township incurred expenditures in no budgetary funds which were in excess of the amounts appropriated. The budget to actual differences were due in part to the fact that the budget was prepared showing reimbursements received and paid as separate line items in revenues and expenditures respectively, but those reimbursements were netted in the actual revenues and expenditures column.

FLORENCE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 4 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	4-1-03 Balance	Additions	Deletions	3-31-04 Balance
Land	3,500			3,500
Buildings	10,000			10,000
Equipment	<u>78,636</u>	<u>0</u>	<u>0</u>	<u>78,636</u>
Totals	<u>92,136</u>	<u>0</u>	<u>0</u>	<u>92,136</u>

NOTE 5 - TOTAL COLUMN ON COMBINED STATEMENTS - OVERVIEW

The total column on the Combined Statements - All Fund Types and Account Groups is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 6 - COMBINED STATEMENTS

Combined Financial Statements other than Combined Balance Sheet are not necessary as there are no other funds to combine with.

NOTE 7 - BALANCE SHEET CASH AND INTEREST BEARING DEPOSITS AND INVESTMENTS

Deposits are carried at cost. Deposits of the Township are at two banks in the name of the Township. Act 217, PA 1982, authorizes the Township to deposit and invest in the accounts of the Federally insured banks, insured credit unions, and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority.

FLORENCE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 7 - BALANCE SHEET CASH AND INTEREST BEARING DEPOSITS AND INVESTMENTS - Continued

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

Deposits	Carrying Amount	Bank Balance
Insured (FDIC)	281,440	284,417
Uninsured	<u>136,424</u>	<u>136,424</u>
Total Deposits	<u>417,864</u>	<u>420,841</u>

NOTE 8 - INSURANCE RISK

The Township's insurance for Workers' Compensation, General Liability and Property Loss and fleet insurance is carried by and insurance company. The Township is not self-insured other than for minimal deductibles. No known material claims are outstanding. Insurance coverage is substantially the same as in previous years.

NOTE 9 - CONSTRUCTION PERMIT FEES

The Township pays a sub-contractor who assesses property and issues construction permits among the services provided. No fees are charged for the issuance of construction permits, and the necessary inspections are performed by the State of Michigan. As a result, there is no fund balance for such activity.

NOTE 10 - RESTRICTED FUND BALANCE

The entire balance consists of the Township's 40% share of a certificate of deposit held jointly with two other government units.

SUPPLEMENTAL INFORMATION

**FLORENCE TOWNSHIP
BALANCE SHEET
GENERAL FUND
AS OF MARCH 31, 2004**

ASSETS

Cash	345,031	
Receivables - 2003 Delinquent Taxes	3,029	
Due from Tax Fund	<u>5,754</u>	
TOTAL ASSETS		<u>353,814</u>

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts Payable		4,534
Fund Balance		
Undesignated	267,877	
Designated	<u>81,403</u>	
Total Fund Balance		<u>349,280</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>353,814</u>

The Notes to Financial Statements are an integral part of these statements.

**FLORENCE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET & ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
2003 Tax Roll	27,000	29,500	27,401	(2,099)
Administration Fee	8,000	7,000	9,192	2,192
State Shared Revenue	106,000	115,000	101,386	(13,614)
Fire & Ambulance Runs	3,400	2,200	4,530	2,330
Cemetery	3,500	1,500	1,950	450
Interest Earned	1,200	1,200	3,908	2,708
Other	<u>6,050</u>	<u>17,100</u>	<u>1,157</u>	<u>(15,943)</u>
Total Revenues	155,150	173,500	149,524	(23,976)
EXPENDITURES				
Salaries - Supervisor	5,284	5,284	5,284	0
- Clerk & Deputy	13,008	13,008	13,008	0
- Treasurer	10,155	10,155	10,155	0
- Trustees	4,300	4,300	3,240	1,060
- Assessor	15,250	15,250	15,000	250
- Elections	0	0	0	0
Planning Commission	5,950	5,950	5,577	373
Board of Review	840	840	840	0
Zoning Appeal Board	200	200	0	200
Roads	31,000	31,000	25,569	5,431
Supplies & Other	2,950	2,950	224	2,726
Legal	15,000	15,000	3,399	11,601
Insurance & Bonds	5,500	7,350	6,072	1,278
Fire & Ambulance	40,000	40,000	25,115	14,885
Tax Roll Preparation	2,800	3,604	3,568	36
Township Hall	4,000	4,000	1,740	2,260
Postage	2,000	2,000	1,281	719
Library	3,200	3,200	3,200	0
Dues	760	760	1,146	(386)
Printing & Publishing	2,500	2,500	1,875	625
Cemetery	3,900	3,900	3,500	400
Payroll Taxes	3,700	3,700	1,762	1,938
Retirement	5,000	6,500	0	6,500
Inspections	<u>15,000</u>	<u>15,000</u>	<u>4,725</u>	<u>10,275</u>
Total Expenditures - Forward	192,297	196,451	136,280	60,171

The Notes to Financial Statements are an integral part of these statements.

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET & ACTUAL**

Page -2-

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues - Forwarded	155,150	173,500	149,524	(23,976)
Total Expenditures - Forwarded	<u>192,297</u>	<u>196,451</u>	<u>136,280</u>	<u>60,171</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(37,147)	(22,951)	13,244	36,195
FUND BALANCE - Beginning of Year	<u>336,036</u>	<u>336,036</u>	<u>336,036</u>	<u>0</u>
FUND BALANCE - End of Year	<u>298,889</u>	<u>313,085</u>	<u>349,280</u>	<u>36,195</u>

The Notes to Financial Statements are an integral part of these statements.

**FLORENCE TOWNSHIP
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX COLLECTION FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	Balance 4-1-03	Additions	Deductions	Balance 3-31-04
<u>ASSETS</u>				
Cash	366	654,504	582,037	72,833
<u>LIABILITIES</u>				
Due to Other Governmental Units	0	65,797	0	65,797
Due to Taxpayers	0	1,282	0	1,282
Due to General Fund	<u>366</u>	<u>5,388</u>	<u>0</u>	<u>5,754</u>
	366	72,467	0	72,833

The Notes to Financial Statements are an integral part of these statements.

**FLORENCE TOWNSHIP
GENERAL FIXED ASSETS GROUP OF ACCOUNTS
MARCH 31, 2004**

	Balance 4-1-03	Additions	Deductions	Balance 3-31-04
TOWNSHIP HALL				
Land	500			500
Buildings	9,000			9,000
Furniture & Fixtures	2,000			2,000
TOOL SHED AND UTILITY BUILDING	1,000			1,000
CEMETERIES - LAND	3,000			3,000
OFFICE EQUIPMENT	2,821			2,821
AMBULANCE	0			0
FIRE TRUCK*	<u>73,815</u>	<u> </u>	<u> </u>	<u>73,815</u>
TOTAL INVESTMENT IN FIXED ASSETS	<u>92,136</u>	<u> 0</u>	<u> 0</u>	<u>92,136</u>

* Jointly owned with Constantine Township. Florence Township's share is 40%.

The Notes to Financial Statements are an integral part of these statements.

**FLORENCE TOWNSHIP
2003 TAX ROLL RECONCILIATION
MARCH 31, 2004**

	Tax Roll	Collections	Returned Delinquent
<u>Collections</u>			
ST. JOSEPH COUNTY			
Operating & Maintenance	175,712		
Commission on Aging	9,471		
Special Education	70,676		
Intermediate School District	6,569		
Community College	78,389		
State Education Tax	<u>142,775</u>		
Total County	483,592	443,452	40,140
SCHOOL DISTRICTS - OPERATING AND DEBT			
Centreville	84,528	73,838	10,690
Constantine	79,547	74,894	4,653
White Pigeon	7,645	7,118	527
Three Rivers	<u>25,856</u>	<u>20,480</u>	<u>5,376</u>
Total Schools	197,576	176,330	21,246
TOWNSHIP			
General	27,217	24,541	2,676
Administration Fee	<u>7,081</u>	<u>6,458</u>	<u>623</u>
Total Township	<u>34,298</u>	<u>30,999</u>	<u>3,299</u>
TOTAL TAX ROLL	715,466	650,781	64,685
OTHER			
Dog Licenses		805	
Assessments		500	
Interest Prior Year & Other		<u>458</u>	
Total Collections		<u>652,544</u>	
<u>Remittances</u>			
St. Joseph County		444,355	
School Districts		176,325	
Township		<u>31,864</u>	
Total Remittances		<u>652,544</u>	

The Notes to Financial Statements are an integral part of these statements.

Foote and Lloyd
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To the Supervisor and Board
Florence Township
St. Joseph County, Michigan

We are writing this letter in conjunction with the audit of the financial statements for the Township of Florence for the fiscal year ended March 31, 2004. We have forwarded to the state of Michigan their required copies of the report. Nothing improper came to our attention during the course of our examination, except for the fact that each budget line item should be amended by board action before spending more than the amount which has been previously appropriated. The Clerk and Treasurer have indicated that this will be done in the future.

Substantially all of the items mentioned in our prior audits have been implemented, but we have two further recommendations at this time. It would be much better for your accounting procedures if you could get your bank to cut off your activities at each month end (that is, the last day of each month).

Also, as was stated in Note 2 of the financial statements, some of the collected property taxes were not distributed until you settled with the County after the fiscal year ended. The proper procedure would be to distribute the taxes in a timely manner even if settlement has not taken place, and adjustments can be made after settlement.

We wish to thank you for the opportunity to serve you again this year and for the willing cooperation and assistance we received from all contacted during the course of our assignment. Please feel free to contact us at any time if you should have questions or comments.

Very truly yours,

FOOTE and LLOYD
CERTIFIED PUBLIC ACCOUNTANTS

Charles W. Foote

Battle Creek, Michigan
August 19, 2004